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Tax change sends wrong signal

By IAN DAVIDSON

Montana lawmakers are considering a change to Montana's tax laws that, in my opinion, would send the wrong signal to any business considering investing in Montana. As an active businessman for more than 49 years in this great state, I believe we need clear tax laws and regulations that are applied fairly and consistently in order to attract and maintain businesses and keep our strong economy on course.

Specifically, our legislature should reject the proposal to tax real estate investment trusts or REITs because it is completely arbitrary and founded on flawed assumptions that no prudent business person would recognize as legitimate. Forty-nine other states have no such tax on REITs, so why should Montana?

Just days after the Legislature adjourned Senator Max Baucus hosted an economic summit in Butte that drew some 2,500 people, including high-profile guests such as Federal Reserve Chairman Ben Bernanke, former Treasury Secretary Robert Rubin and business leaders including Bill Gates from around the country. Speaker after speaker reinforced the message that Montana is a great place to do business and a great

place to invest.

But taxing REITs in the way proposed by legislation from the Department of Revenue directly conflicts with the message that this great state wants to send to businesses considering investing here.

A real estate investment trust is a business model that allows even the smallest investor to own professionally managed real estate. In providing that opportunity, REITs must follow rules required of no other type of corporation, including paying a minimum of 90 percent of their income in the form of dividends to stockholders. The stockholders, in turn, must pay income taxes on their dividends.

REITs, which include some shopping malls and condominiums, already pay millions of dollars in taxes every year in Montana.

In the interest of full disclosure, I should note that I am the Chairman of the Board of Plum Creek, a leading REIT and a long standing taxpayer paying corporate citizen of Montana. Contrary to what some would have you believe, Plum Creek paid \$3.4 million in Montana payroll taxes, \$3.6 million in property taxes and \$1.5 million in corporate income taxes in 2006.

For decades, Plum Creek has proven to be a responsible corporate citizen, has provided good paying jobs with excellent benefits to hundreds of Montanans, and has partnered with conservation and environmental communities to protect thousands of acres of sensitive lands in the state. The company's total economic impact from spending and employment in the state is more than \$650 million annually.

In March, Governor Schweitzer told The Associated Press that Montana is "open for business" and that our state's existing tax and regulatory environment is "attracting business to Montana."

If the state truly aspires to attract new businesses to the state and to maintain the businesses that already reside here, it should not burden existing businesses with new arbitrary taxes. A tax such as that proposed by the Department of Revenue and some lawmakers serves as a disincentive not only to Plum Creek and its future investment in the state, but also to other businesses considering coming here. It will also cause businesses to wonder "what's next?"

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